

LAFCO Requests El Camino Hospital District to Make Improvements in Transparency and Public Accountability

District to Report Back to LAFCO in 12 Months

SANTA CLARA COUNTY, CALIF. – The Local Agency Formation Commission of Santa Clara County (LAFCO) on August 1, 2012, voted to accept the El Camino Hospital District Audit and Service Review Report prepared by LAFCO’s consultant and requested that the District implement reforms to improve governance, transparency and public accountability. Specific recommendations for the District include:

- Limit automatic contributions from the District to the non-profit Hospital Corporation to payments for debt service. Cease automatic contributions from the District to the Hospital Corporation’s capital improvement program or for its use as general purpose revenues.
- Cease automatic payments from the District to the Hospital Corporation’s community benefit program. Establish a competitive process for appropriating the District’s community benefit funds in order to ensure that funds are used to more directly benefit District residents.
- Restructure District’s budget process to: clearly articulate financial, budget and reserve policies; report detailed line item information for District expenditures such as debt service, capital improvements, staffing and operations and community benefit programs; routinely appropriate revenues to prevent accumulation of resources; develop a budget monitoring and reporting system.
- Evaluate and report on professional service agreements to establish distinction between the District and the Hospital Corporation or other non-profit entities.
- Review and revise the District’s code of ethics and conflict of interest policies to avoid actual or perceived conflicts of interest.

While the Report recommended that LAFCO request governance changes and consider dissolution of the District if these improvements are not implemented within 12 months, LAFCO voted to request that the District report back within 12 months regarding implementation of the improvements, at which time, LAFCO would re-evaluate the District and consider the need for further changes or follow-up actions.

“LAFCO’s service review process spurred the District to make positive changes to its website even before the LAFCO hearing. I urge the District to continue making recommended improvements to establish a clear distinction between itself and the non-profit Corporation,” said Chairperson Pete Constant. “LAFCO’s evolving role in the oversight of local agencies is crucial, particularly when there are transparency and public accountability concerns”.

“I am appreciative of the high quality of care that El Camino Hospital provides, however as a LAFCO Commissioner, my main concern is to ensure that its taxpayers remain a top priority for the District,” said Commissioner Margaret Abe-Koga. “I think when implemented, the changes will result in greater transparency and will truly benefit District residents.”

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BACKGROUND

In early 2011, LAFCO staff began researching several issues concerning the El Camino Hospital District – specifically trying to resolve the issue of whether the District is providing services outside its boundaries by using its tax payer dollars to fund the purchase of a hospital in Los Gatos. During the course of this research, other issues relating to transparency in the financial and operational relationship between the District and the El Camino Hospital Corporation, a non-profit that operates the El Camino Hospital, and questions regarding the purpose/functions of the District and its use of property tax revenues also came to light. In December 2011, LAFCO retained Harvey M. Rose Associates to conduct an independent audit and service review of the District and respond to these issues.

The Audit and Service Review Report along with the resolution summarizing LAFCO's August 1, 2012 actions are now available on the LAFCO website www.santaclara.lafco.ca.gov and will be made available at local public libraries. Hard copies of the report will be available at the LAFCO office.

LAFCO is a state mandated local agency whose mission is to promote sustainable growth and good governance in Santa Clara County by:

- preserving agricultural lands and open space,
- curbing urban sprawl,
- encouraging efficient delivery of services,
- exploring and facilitating regional opportunities for fiscal sustainability, and
- promoting accountability and transparency of local agencies.

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